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Programme and of the
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Evaluation

**Management response to the evaluation of the role of UNDP
in the PRSP process**

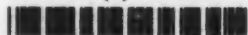
Summary

The evaluation of the role of UNDP in the PRSP process was presented to the Board at the annual session 2003. The present report contains the response of management to that evaluation and covers the issues of linking Poverty Reduction Strategy Papers (PRSPs) to the Millennium Development Goals (MDGs), and growth and democratic governance, respectively, to poverty reduction, and makes specific recommendations on enhancing the role of UNDP in the PRSP process.

Elements of a decision

The Executive Board may wish to encourage UNDP to:

- (a) Engage more regularly with the World Bank at the working-level on the monitoring and policy implications of linking PRSPs to the MDGs, and work jointly in pilot countries to test the practical implications of linking the MDGs and PRSPs;
- (b) Convene a task force of PRSP focal points from the Bureau for Development Policy, the regional bureaux and selected country offices to start developing a more coherent strategy for the role of UNDP in the PRSP process, using the principal findings of the evaluation as the starting point;
- (c) Upgrade the technical capacities of UNDP for substantive engagement in the PRSP process at headquarters, sub-regional resources facilities and country offices, primarily by enhancing the capacity of senior economists and poverty specialists and through training and e-discussions on the monitoring, policy reform and governance dimensions of the process;
- (d) Support, together with the World Bank, the International Development Evaluation Association in building evaluative capacities in PRSP countries, particularly the capacities of civil society to assess PRSP performance.



1. The evaluation points up the need to strengthen UNDP support to the preparation of Poverty Reduction Strategy Papers (PRSPs) in several major ways. The recommendations in the elements of a decision include specific modifications to the approach taken by UNDP in light of the findings of the evaluation.

A. Linking PRSPs to the MDGs

2. Linking PRSPs to the Millennium Development Goals (MDGs) is the newest challenge faced by UNDP in supporting the PRSP process. It involves strengthening national capacities and institutions to (a) tailor MDG targets to national conditions; (b) monitor progress towards achieving the MDGs; and (c) reform PRSP policies to foster progress towards achieving the MDGs. National capacities encompass the ability of civil society organizations to conduct an informed and independent assessment of progress. CSO involvement must extend beyond their narrow role of 'social watchdog' and cover meaningful inputs into resource allocations, policy reforms and the setting of priorities.

3. Management agrees that the comparative advantage of UNDP lies in its ability to help governments establish coordinated monitoring systems for poverty and the MDGs – particularly at the local level – and supporting millennium development goals reports and national human development reports as tools for public advocacy and policy advocacy, respectively. The chief challenge for UNDP is to foster the coordinated monitoring of MDG progress and PRSP performance, which will link poverty monitoring more clearly with pro-poor policy reforms at the country level.

B. Linking growth to poverty reduction

4. The evaluation underscores the absence of a strong link between PRSP growth strategies and poverty-reduction policies. Many PRSPs lack practical policies for 'pro-poor growth'. The role of UNDP is to champion equity and human development as integral components of the growth strategies in both their domestic and international dimensions, as indicated in MDG No. 8.

5. National policy-makers are currently grappling with the challenge of achieving greater harmonization between the macro-economic policy framework contained in the PRSP and the strategy's overall poverty-reduction objectives. Related to this problem is the lack of a clear connection, in many PRSPs, between poverty diagnosis and policy recommendations. In this regard, one of the most valuable contributions UNDP could make would be to foster a participatory debate – at the national and sub-national levels – on the causes of poverty and the long-term development policies best suited to address them. Towards that end, UNDP could help promote a healthy national dialogue by offering a range of pro-poor policy options, based on substantive in-house capacity. Such support has already begun in connection with pro-poor economic policies in a regional programme in Asia and the Pacific and in national projects in the Caucasus and Central Asia and is being planned for other regions.

C. Linking democratic governance to poverty reduction

6. The evaluation suggests more strategic and systematic support to enhancing national ownership of the PRSPs by fostering a broad-based discussion of their contents. In some countries, donors still try to influence the PRSP process unduly. In many others, government ownership does not always imply national ownership. UNDP can facilitate relations between donors and lenders on the one hand, and the government and other national stakeholders on the other, to help promote better-coordinated external support that is more attuned to national priorities.

7. UNDP can help broaden support for the PRSP beyond the central executive branches of government to encourage the active participation of parliaments, local governments, private-sector associations, civil-society organizations and community-based groups. The evaluation indicates a weak correlation between the extent of participation and its impact on policy reforms – suggesting that participation is more often about format than about substance.

8. UNDP can play a concerted role in providing a platform for national dialogue on the PRSP and building the capacity of civil society to make a strong contribution to it. Such a dialogue – which is contentious by its very nature – would not always have to lead to a national consensus. The main objective would be to contribute to institutionalizing a broad-based, open, evidence-based and democratic dialogue and debate.

Conclusion

9. Management agrees with the central point of the evaluation that the “substantial and substantive role” of UNDP in the PRSP process should be enhanced. Already, the report on the multi-year funding framework indicates that UNDP is becoming more closely engaged. The number of country offices reporting on PRSP involvement has grown steadily from 11 in 1999 to 56 in 2002; and the nature of their engagement has evolved from participation to systematic poverty monitoring and pro-poor policy advice.



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Country programmes and related matters**Assistance to Afghanistan (2004-2005)****Note by the Administrator***Contents*

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Introduction

1. Conflict and social upheaval have prevented the preparation of a UNDP country programme for Afghanistan since 1984. In the absence of a formal programme, the Executive Board has authorized the Administrator to support projects under a series of exemptions. The current arrangement covers the period 2000-2003.

2. Over the course of the next two years, 2004-2005, the transitional period of building national institutions in Afghanistan under the Bonn Agreement is expected to culminate in a durable structure of governance tailored to the national culture and priorities. During the same period, the Government, the United Nations Assistance Mission to Afghanistan (UNAMA) and other United Nations institutions intend to prepare the first United Nations common country assessment (CCA) and United Nations Development Assistance Framework (UNDAF) for Afghanistan. UNDP anticipates agreeing with the Government on a formal country programme, synchronized with the programmes of other United Nations institutions, for the following three to five years. The Millennium Development Goals (MDGs) will continue to serve as the overarching frame of reference.

3. For the period 2004-2005, the Administrator seeks the authorization of the Executive Board to continue to approve assistance on a project-by-project basis, consistent with the normal rules, regulations, and guidelines of UNDP.

I. Situation analysis

4. Prior to December 2001, Afghanistan lacked a legitimate, internationally recognized government with which international aid organizations could coordinate their activities. As a result, the international community typically worked directly with communities. In December 2001, the Bonn Agreement established an Afghan Interim Authority (AIA), with which international organizations immediately began cooperating. The AIA governed the country until an Emergency Loya Jirga was held in June 2002 to decide on a broad-based transitional authority. The transitional authority will govern until national elections are held in 2004.

A. Role of the international community

5. Immediately after the signing of the Bonn Agreement, the World Bank, the Asian Development Bank and UNDP conducted a preliminary needs assessment showing a requirement of \$14.5 billion over a 10-year period to support reconstruction, excluding humanitarian assistance, with requirements for the first 2.5 years of \$4.9 billion. At the International Conference on Reconstruction Assistance to Afghanistan, held in Tokyo in January 2002, donors pledged \$4.5 billion over 2.5 years. Most of the pledged resources appear likely to be disbursed, with the majority allocated to humanitarian relief.

6. Since the Tokyo conference, the coordination of donor assistance to Afghanistan has moved steadily toward a process designed and driven by the Government, culminating in the presentation of a national development framework (NDF) to donors in April 2002. The national development budget (NDB), through which the Government is asking all international funding institutions to channel their assistance, converts the NDF strategy into an investment programme.

7. With the replacement of United Nations Office for the Coordination of Humanitarian Affairs and the United Nations Special Mission to Afghanistan (UNSMA) by UNAMA, the role of the United Nations in Afghanistan transitioned from direct coordination of international assistance to support for assumption of the coordination role by the Government. United Nations institutions seconded staff to sectoral "programme secretariats" within the Government and UNAMA initiated a move to integrate United Nations programmes within the NDF and NDB. A Government-led consultative group process is now under way, with relevant ministries leading the preparation of programmes outlined in the NDB.

B. National priorities and development challenges

8. The NDF sets forth three national pillars of priority for development in Afghanistan: (a) expansion of human and social capital; (b) reconstruction of infrastructure and management of natural resources; and (c) building institutional, legal, and regulatory structures that facilitate private sector growth. Cross-

cutting priorities address gender, security and the rule of law, administrative and financial reform, human rights, the environment, and the reintegration of refugees, internally displaced persons (IDPs) and former combatants. Afghanistan's three primary development challenges – which correspond to the three national pillars of priority and are interrelated – may be described as follows.

9. **Social and economic reintegration.** A large proportion of the population are in need of social and economic reintegration. Since the Bonn Agreement, about three million Afghan refugees and 700 000 IDPs have returned home or are expected to return soon, and about 300 000 people remain displaced within Afghanistan. Former combatants, many of whom have virtually no experience with civilian life, are also returning home. In the absence of viable alternatives, many farmers are resuming illegal poppy production. War and poverty have swelled the numbers of disabled people, widows, orphans and street children. Effective community development, income generation, and social protection for vulnerable people will require strengthened capacity and cooperation among all levels of government.

10. **Reconstruction of physical infrastructure.** The roads, bridges, dams, irrigation canals, schools, health facilities, drinking water supplies and telecommunications facilities of Afghanistan are in a state of collapse. Reconstruction will require substantial resources and effective Government oversight.

11. **Rebuilding state institutions.** The ability of the Government to mobilize the security, public services, and regulatory environment needed for sustainable human development depends on the capacity of its system of public administration. At the outset, the authorities faced a dire situation in this area – dilapidated or destroyed offices, poorly trained civil servants on a low and compressed pay scale, the exclusion of women from the workforce, a ministerial structure in need of renewal, a legislative structure in disarray, a collapsed reporting framework between the center and provinces, a lack of national data, and little respect for the rule of law throughout society. The enormous challenge of public administration reform lies ahead.

II. UNDP in Afghanistan 2000 to 2003

12. Following the events of late 2001, UNDP has adjusted its programme of assistance to meet the changing development needs of Afghanistan. The practice areas where the country office and the Government have established solid cooperation are democratic governance, poverty reduction, crisis prevention and recovery, and information and communications technology (ICT).

A. Programmes and achievements

13. **The Poverty Eradication and Community Empowerment (PEACE) Initiative.** The PEACE Initiative predates the Afghanistan Interim Authority. It continued until 2002, at which time donor leadership for community development programming was designated to the World Bank. Implemented by the United Office for Project Services (UNOPS), the Food and Agriculture Organization of the United Nations (FAO), and the United Nations Human Settlement Programme (Habitat), PEACE supported communities in the repair of their infrastructure, providing jobs and skills to thousands of Afghans. It offered vaccinations and preventive care for livestock and enabled the country to meet its entire requirement of wheat seed from domestic production. It facilitated more than 2 100 community groups (8 per cent formed by women) and provided rehabilitation and socioeconomic services to disabled people in areas throughout the country.

14. **Immediate operation of the Afghan Interim Authority.** Only four days after the Interim Authority assumed office, UNDP advanced funds for basic office equipment and supplies, which were handed over to the new ministries. Under the leadership of UNAMA, UNDP established and managed the Afghan Interim Authority Fund (AIAF), making possible the rapid and flexible disbursement of \$72 million in donor funding during the first half of 2002. The AIAF funded (a) the salaries of 240 000 civil servants, in all 32 provinces, and the establishment of a payroll system; (b) basic repairs to, and equipping of, government buildings; (c) the establishment of national commissions as mandated by the Bonn Agreement; and (d) the national process leading to the Emergency Loya Jirga that selected the transitional Government, and the Emergency Loya Jirga itself.

15. *The national commissions.* The Bonn Agreement calls for the Afghan Government to establish, with the assistance of the United Nations, a number of commissions to lead the country towards democracy and the rule of law. In collaboration with UNAMA, United Nations Volunteers (UNV), and other partners, UNDP has supported the establishment and operation of the Emergency Loya Jirga Commission, the Constitutional Commission, the Judicial Reform Commission, the Civil Service Commission, and the Human Rights Commission. UNDP seconded one of its most senior Afghan professionals as the Director of the Secretariat to the Constitutional Commission.

16. *Information management and aid coordination.* UNDP has actively supported the upgrading of information management in Afghanistan. Achievements supported by UNDP, the European Commission, and the Government of France to date include (a) the development of a national ICT policy through a consultative process led by the Ministry of Communications; (b) the transfer of the ".af" country code Top Level Domain to Afghanistan, marking a key symbolic break with the Taliban years, when Internet use was prohibited; (c) expansion of ICT access through the establishment of an Intranet system for the Government (with the World Bank); (d) establishment of a Cisco Networking Academy Programme at Kabul University; and (e) the establishment of basic ICT training centers in Kabul and other cities.

17. UNAMA has the lead role in coordinating the operational activities of United Nations institutions, including their support to the consultative group and national budget processes. Under the leadership of UNAMA, UNDP helped the Government to establish an Aid Coordination Unit and a Public Information Unit within the Afghan Assistance Coordination Agency. Among other activities, the Aid Coordination Unit created a donor assistance database in response to the NDF's call for a donor tracking system. UNDP is also supporting the national data requirements of the NDF.

18. *Afghan women and governance.* The NDF calls for "specific programmes directed to enhancing the capabilities of our girls and women". Toward this objective, UNDP has (a) supported Afghan women's groups in securing women's participation in the Emergency Loya Jirga; (b) funded (through the AIAF) the physical rehabilitation and Internet connection of the Ministry of Women's Affairs; and (c) provided

ongoing institutional capacity-building support to the Ministry, including gender training and women's professional training, in collaboration with the United Nations Women's Fund (UNIFEM), UNAMA and UNV.

19. *National security.* UNDP supports the foundations for national security in Afghanistan in three areas: the creation of a national civilian police service, the disarmament, demobilization, and reintegration (DDR) of combatants, and mine action. With their salaries covered by the AIAF, the police returned to work in Kabul immediately after the Bonn Agreement. Together with UNAMA police advisers, and with Germany as the lead donor country, UNDP established the Law and Order Trust Fund for Afghanistan (LOTFA), which accords first priority to covering police salaries.

20. The Government, UNAMA, and UNDP – with Japan as the lead donor country – have established a three-year programme for DDR. The programme serves as the secretariat to the four DDR commissions and is establishing offices and building DDR capacity in Kabul and in eight provinces. To help build national capacity in mine action, UNDP works with the United Nations Mine Action Centre for Afghanistan, and will collaborate to explore suitable government counterpart arrangements for the future. A comprehensive landmine impact survey is currently under way.

21. *Area-based development.* The national area-based development programme (NABDP) is a major Government initiative set forth in the NDF. The programme encompasses development activities in 10 vulnerable areas of Afghanistan while building government capacity to lead and coordinate participatory development in all provinces. UNDP is designated as the lead agency to support the Ministry of Rural Rehabilitation and Development (MRRD) as it designs and manages the NABDP. The achievements of the programme include (a) organizational reforms within the MRRD; (b) rehabilitation of the provincial offices of the MRRD; (c) development of a provincial coordination mechanism and planning process; and (d) regular monitoring exercises and MRRD training in monitoring and evaluation and provision of urgent recovery support with UNOPS, FAO, and Habitat as implementing partners. These and other planned capacity-building initiatives facilitate the management and implementation of other national programmes.

22. *Urban recovery and employment.* The Recovery and Employment Afghanistan Programme (REAP) is a quick-impact public works programme supported by UNDP and UNV. In Kabul, Kandahar, and Jalalabad, REAP has (a) employed more than 45,000 people—mainly IDPs, returnees, and former combatants—in the rehabilitation of small infrastructure, including projects to improve women's living conditions; (b) established vocational training centres for women; (c) provided workers with tools used in their work, enabling them to offer their skills to other potential employers; and (d) helped to build the capacity of more than 20 municipalities and ministries and more than 30 community groups. REAP is now becoming part of the Ministry of Urban Development and Housing.

23. *Support to disabled Afghans.* The Comprehensive Disabled Afghans Programme (CDAP), implemented by UNOPS, has provided rehabilitation and socio-economic services to disabled people since 1991. With 400 national staff members and 2 000 trained community volunteers, CDAP reaches 20 000 disabled people each year (totalling over 150 000 since the programme started in 1991) in 58 districts and eight cities of Afghanistan.

B. Key lessons learned

24. The following lessons learned by UNDP from the experiences of the past few years have been incorporated in the design of future programming.

25. *Government mechanisms for leading and coordinating international assistance.* Such mechanisms are vital to the success and legitimacy of the recovery and development efforts. The early establishment of the NDF under national leadership, the NDB, and the consultative group process ensured focus, coherence, and national leadership in assistance programming. All UNDP programming and resource mobilization take place within these guiding mechanisms.

26. *Building the national capacity needed for effective government-led recovery and development.* As the Government strengthens its leadership of recovery and development, an increasing programming focus is needed on helping Afghans create governance structures, systems, and procedures that facilitate the achievement of national goals. All support for reforms should ensure that while international best practices are introduced, the best of the existing laws and administrative systems and procedures are retained.

Working through Government structures has more impact than creating parallel project implementation structures. The UNDP national execution modality can help accelerate the building of national ownership, enhancing impact and creating sustainability.

27. *Flexibility and responsiveness to evolving national priorities.* UNDP programming changes in the period 2000-2003 reflect the evolving – and increasingly well-articulated – priorities of the Government for reconstruction and development. Flexibility is essential to effective assistance programming.

28. *Regular assessments of UNDP country office capacities.* The UNDP country office must continually adjust its human resource and operational profile to suit national needs, priorities, and programming focus. Assessments are needed to ensure flexibility and responsiveness.

29. *Support for governance reforms.* As the Government strengthens its leadership of national reconstruction and development, capacity-building support for the establishment of structures, systems, and procedures that facilitate the achievement of national goals is paramount. UNDP support should ensure that while international best practices are introduced, the best of the existing laws and administrative systems and procedures are retained.

30. *Quick-impact, labor-intensive projects to create employment and rebuild infrastructure.* These projects have an essential role in the early stages of reconstruction. Their sustainable impact depends on success in transferring to national authorities the capacity to plan and manage activities and stimulate economic regeneration, providing longer-term livelihood opportunities. Effectively managed public works projects have the potential to expand opportunities for employment, reintegration, and reconciliation while accelerating the reconstruction of essential social and economic infrastructures.

31. *Local planning and coordination mechanisms.* Such mechanisms have the potential to ensure that locally generated priorities are incorporated in the overall budgeting cycle of the Government, and they therefore deserve careful attention. Community mobilization, even during the years of severe national upheaval, helped many communities organize themselves into informal structures of local governance. Their interface with decentralized formal government structures now provides opportunities for

cooperation across the various levels of Afghan society.

32. *Effective support for the gender objectives of the Government.* The restoration of women's rights is a national priority that must form an integral – and carefully targeted – component of all programming. This will require continuing cultural sensitivity, an Afghan-driven process of mainstreaming gender, and a measured pace of change. Particular attention is needed for gender research, policy, and institutional capacity building. National momentum for this process is evident in the substantial demand, on the part of the ministries and the Office of the President, for the training programmes of the Ministry of Women's Affairs.

33. *Security and economic development* are interrelated objectives that must be pursued in tandem. A favorable security environment is needed for the success of both relief and development activities. At the same time, economic development that fosters legitimate livelihoods – particularly alternatives to soldiering and poppy farming – is needed for the sustainable rehabilitation of security services.

III. Proposed programme

34. The Government and UNDP have identified four principal areas of cooperation for the period 2004-2005: (a) Support for the state-building process; (b) building governance for local recovery and development; (c) national security; and (d) information management.

35. These are areas where national priorities coincide with the global mandate of UNDP, and where lessons learned from previous UNDP cooperation in Afghanistan can be incorporated. All activities will take place with government leadership, and UNDP will collaborate closely with the ministries, agencies, and donors leading programmes within the consultative group process. Given the imperative of empowering Afghan women and promoting gender equality in Afghanistan, the Government and UNDP will ensure that gender issues are consistently mainstreamed and carefully paced. In addition to the direct support provided to the national security sector, all programme activities will aim to consolidate peace and to enhance security by helping the Government to provide public services, create an enabling environment for legitimate livelihoods, and promote respect for the rule of law. To

the extent possible, all activities will aim for countrywide impact.

36. UNDP will remain flexible and responsive to evolving national priorities. In 2004, the first National Human Development Report (NHDR) of Afghanistan will provide an important vehicle for the Government to refine the priorities of the country and to identify new areas where targeted cooperation with international humanitarian organizations can accelerate recovery and development. The NHDR will be the first comprehensive review of the state of development of Afghanistan. UNDP will stand ready to act in response to needs identified based on the NHDR as well as the CCA/UNDAF process.

37. Throughout the period, UNDP will work under the UNAMA umbrella and will ensure maximum collaboration and programme complementarity with other international actors such as the World Bank and the Asian Development Bank, as well as with United Nations institutions such as UNICEF, the Office of the High Commissioner for Refugees (UNHCR), UNFPA, UNIFEM, the World Food Programme (WFP), the Food and Agriculture Organization (FAO) and the United Nations Office for Project Services (UNOPS). United Nations Volunteers will play an increasingly important role in the delivery of development assistance in all areas, providing a high level of skills at reasonable cost. Finally, UNDP will be ready to provide increasing support to UNAMA in the coordination of operational activities among United Nations agencies and in the provision of common services.

A. Support for the state-building process

Public administration reform

38. The NDB sets forth plans for a Public Administration Reform (PAR) sub-programme, identifying seven key pillars (some of which sit outside the PAR sub-programme) that are central to the establishment of an effective civil service: (a) the civil service legal framework; (b) personnel management; (c) institutional and functional streamlining and development; (d) financial management and accountability; (e) policy management and machinery of government; (f) administrative efficiency; and (g) physical infrastructure. The Administrative Reform and Civil Service Commission (ARCSC) is responsible

for leading and coordinating the Programme and for implementing some of its projects.

39. Recognizing the need for a government-wide and inclusive approach, the ARCSC is forming an inter-ministerial group on administrative reform. Contact groups will be established within ministries and in the provinces to exchange ideas and information. As a first step towards streamlining Government institutions and identifying capacity-building needs, the ARCSC has launched an assessment of the structure, functions, and staffing of ministries and other government agencies. A presidential decree has been prepared to provide incentives for early reforms within ministries. These steps are expected to clarify specific needs and priorities for PAR.

40. Over the past year, a consensus has emerged among many government officials and donors that UNDP is well placed to support the Government in PAR. All such support will take place under the leadership of the ARCSC and in consultation with the World Bank and the European Commission. UNDP will provide continuing advisory services to the ARCSC and will recruit public administration reform experts, both Afghan and international, in line with Government requests and donor support. In partnership with the Government of France, UNDP will continue to support pilot schemes to lay the groundwork for overall reform. It will further support in-service training and formal training of civil servants and will assist in capacity building of related Government training institutes.

Institutions for social justice

41. In completing the Bonn process, the Islamic Transitional State of Afghanistan anticipates launching the rebuilding and development of effective national systems of elections, justice, and human rights promotion and protection. UNDP will facilitate the state-building process in Afghanistan in each of these key areas.

42. Following the adoption of a new Constitution late in 2003, elections are envisaged in 2004. UNAMA and the Electoral Assistance Division of the United Nations Department of Political Affairs are leading United Nations support for the electoral process in Afghanistan. UNDP is providing technical assistance on elections and is prepared to expand its support in this area as and when requested. In particular, UNDP envisions facilitating voter registration, supporting elections monitoring, and contributing even-handed

capacity-building and coordination support to political contestants. UNV is prepared to mobilize large numbers of volunteer experts to facilitate the elections process, and UNOPS will offer rapid procurement at reasonable cost as needed for the elections.

43. In support of the Judicial Commission, UNDP – with Italy as the lead donor country – will support (a) civic education on the new constitution; (b) the forging of links and partnerships between legal actors in Kabul and regions, with particular attention to the role of women in the judicial system; (c) the strengthening of judicial institutions such as the Supreme Court, the Ministry of Justice and the Office of the Attorney General; and (d) the rehabilitation of courthouses and other judicial facilities in all provinces.

44. UNDP will continue to promote the mainstreaming of human rights into Afghan law, policy, development programming, and the framework of national institutions. In collaboration with UNAMA, Denmark (as the lead donor country) and other partners, UNDP will help the AIHRC to (a) implement a programme of public education on human rights; (b) build its capacity to process complaints and petitions and to resolve conflicts; (c) manage human rights data; and (d) ensure human rights mainstreaming.

Afghan women in governance

45. UNDP will continue its programme of capacity-building support to the Ministry of Women's Affairs in partnership with UNAMA, UNIFEM, UNV, and the United States Agency for International Development (USAID). By early 2004, this support is expected to have provided the Ministry with a solid foundation for managing its own gender-training programme for the Afghan transitional authority and civil society. As the Ministry extends its gender mainstreaming activities to the provinces, across ministries, and within civil society, UNDP will provide follow-up technical assistance as needed. Beyond training, UNDP expects to participate in a strategic gender policy review and to support the development of a national gender strategy that integrates gender programming across health, education, employment, law, human rights, peace building, and other sectors. Gender-related areas of national priority identified through the NHDR will receive particular attention.

B. Building governance for local recovery and development

46. UNDP cooperation for local recovery and development will continue in area-based development, urban recovery, meeting the needs of disabled people, and other areas. For area-based development, the NABDP supports urgent recovery projects, government capacity building at all levels, and medium- and long-term development projects to stimulate local economies. During the period 2004-2005, UNDP anticipates deepening its support for the formation of coordination and planning mechanisms that ensure participation, transparency and accountability at the provincial and district level. With experience, the planning process is expected to become increasingly inclusive, gathering broader input from civil society and the private sector and encouraging their growth. Linkages across levels of government in the planning process will ensure that locally generated priorities are incorporated in the planning and budgeting cycle of the Government. Through its umbrella approach, under the leadership of the Ministry of Rural Rehabilitation and Development, the NABDP will support the national solidarity programme (NSP) and related initiatives.

47. Operating from within the Ministry of Urban Development and Housing, REAP will help the Government build capacity to create employment and rebuild infrastructure in urban areas throughout the country. The Ministry anticipates complementing the DDR programme by offering public works and vocational training opportunities to former combatants. In cooperation with Habitat, UNDP will provide continuing technical advice and resource mobilization support to government bodies involved in urban recovery and employment.

48. UNDP support for disabled Afghans, which now involves primarily community-based rehabilitation and socio-economic services with implementation support from UNOPS and the Swedish Committee for Afghanistan, will shift towards building sustainable capacity within the Government to design disability policies and manage rehabilitation projects. In the same context, these activities will shift towards a national execution modality. Linkages are anticipated between the national mine action programme and programmes to benefit disabled Afghans.

49. In addition, UNDP will respond flexibly to evolving priorities, including possible support to the

preparation of a national poverty reduction strategy. In areas of high return and IDP settlement, UNDP will collaborate with the Government, UNHCR, and other United Nations institutions in the context of the "4-Rs" process: repatriation, reintegration, rehabilitation, and reconstruction. In January 2003, UNDP and UNHCR signed a letter of agreement, and the MRRD, UNDP, and UNHCR signed a tripartite agreement outlining their respective roles and areas of cooperation in the Afghan process of reintegrating returnees and IDPs.

C. National security

50. Security and economic development are interrelated objectives that the Afghan Transitional Authority is pursuing simultaneously. UNDP will strengthen its support for three vital areas of national security in 2004-2005: police capacity building, DDR, mine action, and disaster management. Progress in these areas will depend on the prevailing security situation.

51. During the transition period, UNDP management of LOTFA will channel international support towards the creation of a well-trained, well-equipped, and regularly paid national police service. With Germany as the lead donor country and UNAMA providing police advisers, LOTFA aims to support nationwide recruitment and training, procurement of non-lethal equipment, and rehabilitation of police facilities. Beyond transition, UNDP envisions providing continuing support for the Ministry of Interior to maintain a national police service with a genuinely integrated ethnic composition and a solid understanding of the need for transparency, accountability, and human rights protection.

52. The Afghan DDR process began in mid-2003 with support from UNAMA, UNDP, and Japan as the lead donor country. The reintegration strategy will aim to create conditions for demobilized soldiers to become productive members of their communities through employment creation, credit opportunities, vocational training and access to education. Critical linkages will be established with other programmes – such as area based development, urban public works, and mine action – in identifying opportunities for former combatants to engage productively in the nation-building process. The programme anticipates drawing heavily upon the skills of UNVs. It will complement the collaborative activities of the Government,

UNAMA, and the Government of the United States in the development of the Afghan National Army.

53. UNDP will work with MACA, the Government of Canada and other partners to strengthen national capacity for mine action. The LIS currently being conducted will provide a socio-economic basis for prioritizing mine clearance activities and formulating a national strategy for mine action. In accordance with Government requests, UNDP will support the development of the strategy and capacity building for its implementation.

54. UNDP also envisions expanding its support for the effective operation of the Office of Disaster Preparedness (ODP) in collaboration with UNAMA, the Asian Development Bank, and the German non-governmental organization InWent, within the framework of the role and functions identified for ODP by the Government.

D. Information management

55. UNDP will support the strengthening of information management capacity in Afghanistan through interventions in three areas: (a) ICT policy, capacity, and access; (b) aid coordination; and (c) data management.

56. ICT programming will aim to (a) advocate for Government ownership and implementation of the national ICT policy; (b) facilitate the updating of the policy to incorporate feedback and account for growing private sector involvement; (c) provide regular policy advice at senior levels; (d) expand ICT training support to towns and cities throughout Afghanistan and encourage private sector responsibility for specialist ICT training; and (e) support the creation of an enabling framework for Internet service providers and public Internet access points.

57. UNDP will assist the aid coordination efforts of the Government through continuing support to the consultative group process and the donor assistance database. To promote transparency and realistic expectations for reconstruction, UNDP will support a public information centre and a national team of public information specialists.

58. UNDP will expand its support for data management in anticipation of the NHDR produced by Afghanistan, national monitoring of the MDGs, and in the preparation of a CCA and an UNDAF. The

Afghanistan Information Management Service will become a vehicle for building national data management capacity. In addition, UNDP anticipates a role in conducting a national census, preparing the national data strategy, and establishing an independent policy development institute.

IV. Programme management, monitoring and evaluation

59. UNDP will continue to support accelerated national ownership of development programming in Afghanistan. The process of shifting from direct execution by UNDP and other United Nations institutions national execution is under way, with government officials receiving training and participating in the design of transition strategies. Some projects are already nationally executed, and acceleration of this process will be given as high a priority as the progress in national capacity building will allow. UNDP will strengthen its own capacity to undertake the various programmes envisaged. It will rely increasingly on qualified Afghan nationals, recruited from within the country and internationally, for programme design and implementation. Several initiatives are helping to build the capacity of the Government to monitor and evaluate its programmes by strengthening national data management.

60. UNDP will contribute actively to the consultative group process in partnership with ministries, agencies, and donors. This involvement will complement the growing role of UNDP in coordinating the operational activities of United Nations institutions and in providing common services.

61. Achievements of results during this period will of course be greatly influenced by the overall security situation. The goals and objectives anticipated in this note will depend on a continued successful development towards a sustainable peace.

62. All resource mobilization efforts will take place under Government leadership within the national budgeting and consultative group processes. It is expected that major resources mobilization efforts will be undertaken with donor countries in conjunction with some of the largest programmes such as NABDP, REAP, LOTFA and DDR.

Annex. Results and resources framework

Strategic area of support	Assessed outcomes	Outcome indicators	Output
A. Support to the state-building process			
A.1. Public administration reform			
Efficiency and accountability in the civil service	Efficiency, accountability, and transparency improved in the seven PAR areas of national priority	Level of efficiency, accountability and transparency in public administration (specific indicators to be developed for each of the seven PAR areas); Level of flow/information on reform shared among contact groups within ministries and in the provinces.	Completed assessment of Government structures, functions, and staffing; Action plans proposed/implemented in the seven PAR areas; Inter-ministerial group on PAR formed and in operation; Reorganizing plan drafted and implemented; Programme of incentives for early reformers within ministries established and operational until new salary structure is introduced.
A.2. State-building for social justice			
Electoral legislation and institutional capacity of electoral commissions, systems, and processes	A free and fair national elections system established	Degree to which election is free and fair; Percentage of voting age population included in voter registration; International monitoring arranged to ensure elections held according to Bonn Agreement.	Facilities for voter registration in place; Trained national elections monitors; Capacity built to support contestants; Approved elections policies; Central elections commission in operation.
Administration of, and access to, justice and promotion of human rights	Mechanisms to promote access to justice, and protect human rights in accordance with Islamic principles, Afghan legal traditions and international standards	Degree to which human rights among all population groups and regions of the country are protected; Increased presence of women at all levels in the judicial system; At least one major legal education, training, and research institution established and operational; Ability of Afghan Independent Human Rights Commission (AIHRC) to process complaints and petitions, conflict resolution; Number of public education programmes on human rights conducted.	Supreme Court, Ministry of Justice, and Attorney General's Office in full operation; Judicial facilities rehabilitated in all provinces; Strengthened capacity of AIHRC to promote and protect human rights; Linkages established between legal actors in Kabul and the regions; Civic education on the Constitution provided; Training programme on conflict resolution for local government officials and NGOs established and implemented.
A.3. Afghan women in governance			
Policy dialogue to improve the conditions of women and remove barriers to advancement.	Gender issues mainstreamed in programmes initiated by the Office of the President, ministries, other government bodies and civil society	All new programmes with gender aspect incorporated; Capacity in Ministry of Women's Affairs (MoWA) to manage its own training programmes (gender training and women's technical training) for Government and civil society.	Expanded MoWA training programmes; Updated strategic gender policy; National multi-sectoral gender strategy developed and approved.

B. Building governance for local recovery and development			
Social cohesion through development planning and other decision-making processes at the sub-national level	Effective coordination/planning mechanisms in place at provincial and district levels to ensure efficiency, participation, transparency, and accountability	Number of public works projects completed, vulnerable people employed, and urban areas benefiting from government-led public works projects; Level of employment opportunities generated in urban and suburban areas; Level of locally generated priorities incorporated in the Government's planning and budgeting processes and reflected in recovery and development interventions; Level of services provided to disabled Afghans country-wide.	Established capacity at the local levels to plan, finance, manage, monitor and evaluate interventions; Improved local infrastructure to expand income generation opportunities through public works projects; National disability policy developed, approved and implemented; Government officials trained in disability policy formulation; Sustainable Government capacity to coordinate and manage projects benefiting the disabled.
C. National security			
Capacity development of national institutions and civil society organizations to advance human security	Security situation improved in the country through demobilization and mine action, as well as through strengthened civilian police	Police paid regularly and adequately; Adequacy of police service provided in the country; Number of weapons collected; of combatants disarmed; of combatants reintegrated into their communities through vocational training, education, credit and employment generation; Aves cleared of mines and unexploded ordnance with reduced frequency of accidents; Level of services provided to former combatants and mine victims.	Management of donor funding for police during transition; training and other forms of capacity building for police; police equipment procured; police facilities rehabilitated; Improved police recruitment system; Police recruited and trained in all provinces; Upgraded non-lethal police equipment and facilities; Government authority for mine action defined; Established national mine action strategy pursuant to Landmine Impact Survey.
D. Information management			
Access to, and utilization of, information and communication technologies (ICT)	National ICT capacity expanded, and ICT access improved in Afghanistan	Number of town/villages with ICT training centers; Number of Afghan civil servants, women and general public who have acquired basic ICT skills; Level of internet accessibility and number of internet service providers (ISPs); Country code Top Level Domain ".af" maintained.	National ICT policy updated and implemented; Enabling framework created for ISPs and operation of public internet access points; Training programmes in basic ICT skills conducted nationwide; Transfer of responsibility for specialist ICT training to private sector.
Monitoring of poverty and inequality	An effective system to monitor poverty and inequality with disaggregated data by gender and province	Ability of Government to collect and manage national data; Adequacy of social and economic data and indicators of human development.	Afghanistan's first and second National Human Development Reports (NHDRs) published, generating constructive debate on human development issues throughout Afghan society; National data strategy developed and approved; Census of the Afghan population conducted.
Aid coordination and management	An effective aid coordination system to manage programmes in a publicly transparent manner	Level of information on aid and reconstruction available to media and the public.	Enhanced Donor Assistance Database, which enables aid tracking and facilitates programme planning/monitoring, resource mobilization and resource allocation; Strengthened national capacity to monitor and manage aid flow.



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Extensions of country cooperation frameworks

Note of the Administrator

Summary

Using the streamlined format introduced at the first regular session 2002 of the Executive Board, the present note contains information on the first one-year extensions of the second country cooperation frameworks (CCFs) for Bosnia and Herzegovina and Chile. The Governments concerned requested the extensions.

In accordance with established procedures, the Administrator approves the first one-year extension of CCFs while the second-year or two-year extensions are submitted to the Board for its approval. The attached table presents information on the first one-year CCF extensions approved by the Administrator.

The Executive Board may wish to take note of the first extensions of the second CCFs for Bosnia and Herzegovina and Chile for a period of one year from 1 January 2004 to 31 December 2004.

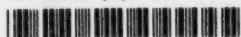


Table. Extensions of CCFs approved by the Administrator since June 2003

Country	Original CCF period	Year(s) proposed for new extension	Reason and explanation		
			United Nations harmonization	In-country political development	Implementation and/or other issues
Bosnia and Herzegovina	2001-2003	2004	To align the UNDP programming period with the agreed United Nations programming cycle, scheduled to start in January 2005.		
Chile	2001-2003	2004	To align the UNDP programming period with the agreed United Nations programming cycle, scheduled to start in January 2005.		



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Note of the Administrator

Summary

Using the streamlined format introduced at the first regular session 2002 of the Executive Board, the present note contains information on the first one-year extensions of the second country cooperation frameworks (CCFs) for Bosnia and Herzegovina and Chile, as well as a request for the approval of the two-year extension of the second CCF for Peru. The Governments concerned requested the extensions.

In accordance with established procedures, the Administrator approves the first one-year extension of CCFs while the second-year or two-year extensions are submitted to the Board for its approval. Table 1 presents information on the first one-year CCF extensions approved by the Administrator. Table 2 summarizes the reasons given for requesting a two-year extension of the second CCF for Peru.

The Executive Board may wish to take note of the first extensions of the second CCFs for Bosnia and Herzegovina and Chile for a period of one year from 1 January 2004 to 31 December 2004, and approve the extension of the second CCF for Peru for a period of two years, from 1 January 2004 to 31 December 2005.



Table 1. Extensions of CCFs approved by the Administrator since June 2003

Country	Original CCF period	Year(s) proposed for new extension	Reason and explanation		
			United Nations harmonization	In-country political development	Implementation and/or other issues
Bosnia and Herzegovina	2001-2003	2004	To align the UNDP programming period with the agreed United Nations programming cycle, scheduled to start in January 2005.		
Chile	2001-2003	2004	To align the UNDP programming period with the agreed United Nations programming cycle, scheduled to start in January 2005.		

Table 2. Extensions of CCFs for which the approval of the Executive Board is sought

Country	Years covered by original CCF	Year(s) covered by any extension already approved	Year(s) proposed for new extension	Reason and explanation		
				Extension	United Nations harmonization	In-country political development
				2nd one year		
Peru	2001-2003	None	2004-2005	X	To align the UNDP programming period with the agreed United Nations programming cycle, scheduled to start in January 2006.	



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UNOPS: financial, budgetary and administrative matters

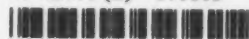
**Revised budget estimates for the biennium 2002-2003,
budget estimates for the biennium 2004-2005, and
report on the level of the operational reserve**

Report of the Executive Director*Summary*

The present document contains revised budget estimates for the biennium 2002-2003 and budget estimates for the biennium 2004-2005 for the United Nations Office for Project Services (UNOPS). The document has been reviewed by the Management Coordination Committee and by the Advisory Committee on Administrative and Budgetary Questions.

In response to the income shortfalls and operational deficits faced by UNOPS during the biennium 2000-2001, in 2002 UNOPS implemented a significant organizational re-dimensioning exercise that led to drastic revisions of its projected delivery, income and administrative expenditures. At the second regular session 2001 of the Executive Board, the business projections indicated in document DP/2001/28 – report of the Executive Director on the UNOPS revised budget estimates for the biennium 2000-2001, budget estimates for the biennium 2002-2003, and report on the level of the operational reserve – originally approved by the Executive Board for the biennium 2002-2003 in its decision 2001/14, were adjusted downwards. The biennium project delivery estimates was decreased from \$1 264.02 million to \$1 016.2, with total income and administrative expenditure estimates decreasing from \$116.2 million and \$113.0 million to \$89.0 million and \$87.9 million, respectively. This led to reductions of the estimates for the operational reserve carried forward at the end of the biennium from \$15.2 million to \$4.1 million.

As a result of these measures, UNOPS succeeded in 2002 to reverse the negative business trends of the previous biennium. The year ended with UNOPS meeting its self-financing principle. The measures instituted in 2002 are being consolidated and reinforced in 2003 to ensure that the turn around is sustained. The 2003 business planning is based on equally prudent delivery and income estimates. In addition, management action is focused on supporting diligent implementation and stringent monthly monitoring of business variables. The 2002-2003 revised budget estimates presented in this document are based on actual results achieved in 2002,



and the 2003 estimates submitted to the Executive Board at its annual session 2003 in document DP/2003/18 – the report of the Executive Director, a.i., on UNOPS year-end figures for 2002 and projected income, expenditure and level of the operational reserve for 2003 (as of 1 April 2003).

In recent years, UNOPS has been experiencing formidable challenges in its business environment. Significant changes are occurring in the composition of its client base and the services that it is requested to provide. In 2002, business acquisition and the subsequent build up of its project portfolio did not keep up with levels reported in previous years. While business acquisition from its main client has continued to decline, unlike previous years, in 2002 it was not matched with offsetting increases in business from new clients. Additional challenges emanate from the increasingly shorter duration of the new business acquisition as well as from the political and economic problems occurring in some of the countries where UNOPS has major operations. The latter has led to sizeable reductions of project budgets planned for delivery. On the other hand, negotiations with regard to several important new projects are sufficiently advanced to expect formal approval and inclusion in the UNOPS portfolio during the second half of 2003. At this point in time, it seems prudent for the biennium 2004-2005 to project the same level of project delivery, income and expenditures as that estimated for the current biennium. It is expected that these projections will be updated at the latest at the first regular session of the Executive Board in January 2004, which would also make it possible to account for any relevant recommendations from the independent review and the new Executive Director of UNOPS.

Elements of a decision

The Executive Board may wish to: (a) take note of the report of the Executive Director on the revised budget estimates for the biennium 2002-2003, budget estimates for the biennium 2004-2005, and report on the level of the operational reserve (DP/2003/38), and of the report of the Advisory Committee on Administrative and Budgetary Questions on UNOPS biennial budget estimates 2004-2005 (DP/2003/39) thereon; (b) approve the revised budget estimates for the biennium 2002-2003 in the amount of \$90.7 million; (c) approve the budget estimates for the biennium 2004-2005 in the amount of \$87.0 million; (d) and approve the staffing level as proposed for the biennium 2002-2003.

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Introduction

1. The present document contains the revised budget estimates for the biennium 2002-2003 and the budget estimates for the biennium 2004-2005 for the United Nations Office for Project Services (UNOPS). They are submitted in accordance with Executive Board decision 94/32 of 10 October 1994. In accordance with Board decision 99/16, the present document also includes a review of the level of the UNOPS operational reserve.
2. Pursuant to UNOPS financial regulations, the present budget estimates are submitted through the Management Coordination Committee (MCC). This document has also been reviewed by the Advisory Committee on Administrative and Budgetary Questions (ACABQ).
3. After a drastic downward revision of its initial budget estimates, in 2002 UNOPS achieved 96 per cent of its project delivery target and 99 per cent of its total income target, while keeping its administrative expenditures 1 per cent below the approved budget. This enabled it to adhere to its self-financing principle by not only covering total administrative expenditures from income but also contributing a small but symbolic contribution of \$0.2 million to the operational reserve. The level of the operational reserve, carried forward at the end of 2002, stood at \$4.2 million, which is \$0.9 million or 27 per cent above the \$3.3 million projected in the revised 2002 budget approved by the Executive Board in its decision 2002/21 of 27 September 2002.
4. The exceptional financial situation confronting UNOPS in the last few years and the instability in its business environment has in recent years required more frequent adjustments to its budget. These changes – in addition to the wish of the Executive Board to be kept regularly informed of the results of the management measures undertaken by UNOPS to align income and costs – have also led to Executive Board decisions (2002/13, 2002/21 and 2003/3) requiring UNOPS to submit more frequent updates on the implementation of its revised budgets. Such reports were submitted to the Executive Board at its annual session 2002 (DP/2002/CRP.10 – dated 17 June 2002); at its first regular session 2003 (DP/2003/CRP.3 – dated 20 November 2002 – and the information paper updating DP/2003/CRP.3); and at its annual session 2003 (DP/2003/18 – dated 7 April 2003).

I. Revised projections of income and estimated budget expenditures for the biennium 2002-2003

5. The revised estimates for the biennium 2002-2003 (see table 1) are based on actual delivery, income and expenditure for 2002, as contained in the annual report of the Executive Director on the activities of UNOPS (DP/2003/19) and on projections for 2003 as already submitted in the report of the Executive Director, a.i., on UNOPS year-end figures for 2002 and projected income, expenditure and level of the operational reserve for 2003 (DP/2003/18). For comparative purpose, the present 2002-2003 revised estimates are analysed in relation to the original biennium estimates submitted to the Executive Board at its second regular session

2001 in document DP/2001/28 and the subsequent revised estimates submitted to the Board at its second regular session 2002 in document DP/2002/33.

6. The total project portfolio, which includes multi-year funds entrusted to UNOPS by or through United Nations organizations, amounted to \$1.0 billion in mid-2003 down from \$1.5 billion in mid-May of 2001. Under the UNOPS 'services only' portfolio, which consists mainly of loan projects funded by the International Fund for Agricultural Development (IFAD), UNOPS provides a fee-based project supervision and loan administration services. This portfolio amounted to \$2.4 billion as of mid-2003, comparable to levels of previous years. In addition, UNOPS is providing limited similar fee-based consulting and advisory services to a range of United Nations clients and more recently the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund).

7. In February 2003, UNOPS joined UNDP and UNFPA as a full development partner in the implementation of the Enterprise Resource Planning (ERP) system. ERP will provide a 'best practice' information management system in finance, project management, procurement and human resources. The ERP system will lead to more effective project management, improved information and data sharing, and enhanced financial reporting, and will enable its access from anywhere in the world with Internet connection. The decision was also motivated by the growing number of UNOPS clients adopting PeopleSoft ERP systems – such as UNDP, UNFPA, IFAD, the International Monetary Fund (IMF), the United Nations Capital Development Fund (UNCDF), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Development Fund for Women (UNIFEM), the United Nations Office on Drugs and Crime (UNODC), United Nations Volunteers (UNV) and the World Intellectual Property Organization (WIPO) – and the one-time opportunity to implement the system with lower costs by joining UNDP and UNFPA. ERP also offers UNOPS an opportunity to re-engineer its business processes and take maximum advantage of the modern business-based functionality of the ERP system.

A. Delivery

8. The biennium 2002-2003 delivery estimate is revised to \$969.5 million based on actual 2002 recorded delivery of \$485.1 million and revised 2003 estimates of \$484.4 million. As shown in table 1, this is \$294.5 million or 23.3 per cent lower than the delivery level originally approved by the Executive Board in its decision 2001/14 of 13 September 2001, and \$46.7 million or 4.6 per cent below the estimates approved by the Board in its decision 2002/21 of 27 September 2002. In 2002, UNOPS introduced a rigorous delivery forecasting methodology, which, coupled with strong project implementation, led to the near achievement of the annual delivery target. Procedures to project and monitor deliveries and income have been further improved in 2003.

B. Income

9. The biennium total income – which was originally projected in document DP/2001/28 at \$116.2 million, revised to \$87.9 million in document DP/2002/33 and approved by the Executive Board in its decision 2002/21 – is now estimated to amount \$88.2 million. This new estimate is based on recorded income of \$43.7 million in 2002 and revised estimates of \$44.5 million for 2003. The new estimates reflect a decrease of \$27.9 million, or 24 per cent, compared to the originally projected income. An overview of the different income projections for 2002-2003 is provided in table 1. Further analysis of the details of the income components is given in paragraph 10 through 14.

Income from implementation of the project portfolio

10. Project delivery in 2002 generated a total income of \$35.4 million. The revised 2003 project delivery income estimate amounts to \$35.3 million, resulting in revised 2002-2003 estimates of \$70.7 million, \$26.6 million or 27.3 per cent below the original estimate and \$1.1 million below the September 2002 revised estimates of \$71.8 million, as mentioned in paragraph 9 above. The ongoing monthly review of delivery and income show that total 2003 delivery and income, as of end May, are ahead of targets approved in document DP/2003/18 and indicate good prospects to exceed the annual targets.

11. The revised 2002-2003 project delivery and income estimates reflect a projected income rate of 7.3 per cent, which is below the 7.65 per cent actual income rate achieved during the 2000-2001 biennium. If the previous biennium income rate was applicable to the 2002-2003 delivery estimates of \$969.5 million, it would have generated an additional income of \$3.47 million making a significant difference to the tight financial situation facing UNOPS. The anticipated decrease in the income rate reflects the growing pressure continuously exerted by UNOPS clients for lower management fees. While part of the pressure is a result of the overall tightening of the availability of development and related financial resources to United Nations entities, it is also a result of requests from clients for the reduction of UNOPS fees without corresponding decreases in requested services, and hence costs.

Income from 'services only' portfolios

12. UNOPS continues to look at financially viable opportunities that would broaden its service offerings and its income source. In the 'services only' segment of its market, in line with its long record of successful project supervision and loan administration services that it is providing to IFAD, it is offering similar management advisory and consulting services to other clients. Based on 2002 'services only' actual income received of \$6.9 million and revised estimates of \$8.2 million for 2003, the revised biennium 2002-2003 income is estimated to be \$15.1 million. This is \$0.9 million or 6 per cent below the original estimates and \$0.4 million or 3 per cent above the September 2002 revised estimates contained in document DP/2002/33. The increase in estimated 2003 service income is primarily a

result of the services that UNOPS has started to provide to the Global Fund where UNOPS has so far been selected as the its Local Fund Agent (LFA) in China, Timor-Leste, India, Mongolia, and Serbia and Montenegro.

13. In addition, UNOPS continues to provide a 'services only' procurement services, primarily in Peru under a UNDP project, where specialized services are provided to government entities in sourcing of suppliers, bid invitation, bid evaluation and contract award recommendations, while leaving contract signature and administration under the responsibility of the client. This service, for which UNOPS earned an income of \$0.27 million, besides ensuring transparency of the tendering and contracting process and often generating notable price savings, also contributes to capacity building of the assisted governmental entities. During 2002, six tenders were awarded, with a total aggregate value of \$ 71.0 million, for which the different government agencies signed 11 contract awards.

Other income

14. UNOPS total income also includes modest interest income, proceeds from the rent of part of its headquarter premises as well as income for services in the area of accounting and other ad hoc miscellaneous services, which during the biennium 2002-2003 is estimated to yield \$2.4 million.

C. Expenditures

15. The 2002-2003 total expenditures estimates are revised to \$90.7 million, \$22.3 million or 19.7 per cent less than what was originally approved in document DP/2001/28, but \$2.79 million or 3.2 per cent more than the last revised estimate of September 2002 (table 1) as contained in document DP/2002/33. The 2002 actual total expenditures amounted to \$45.2 million, which included \$1.1 million (of the \$1.4 million) authorized separation costs and a \$0.6 million provision for doubtful account – both chargeable to the operational reserve. The revised 2003 expenditures are estimated at \$45.5 million, which includes the remaining \$0.3 million authorized separation costs and a one-time \$0.7 million provision to cover costs for hardware acquisition (out of a total 2003 costs of \$1.7 million) related to the new ERP system (described further in paragraph 7) that is due to start replacing the Integrated Management Information System (IMIS) in 2004.

Staffing resources

16. As in the past, the major portion of the recurring administrative budget is allocated to staff and related costs amounting to 63.5 per cent of the total. For the biennium 2002-2003, the total costs of salaries, common staff costs, temporary assistance and staff recruited under the activities of limited duration (ALD) contract are estimated to be \$55.9 million. This is based on the actual 2002 expenditures of \$28.1 million and 2003 estimates of \$27.8 million. The new estimates are \$11.6 million or 17.2 per cent less than what was originally approved by the Board

in its decision 2001/14 of 13 September 2001 and \$0.69 million or 1.2 per cent more than the last approved estimates of \$55.2 million in decision 2002/21 of 27 September 2002 (table 2). It should be noted that despite the UNOPS decision to keep the 2003 staffing essentially at the same level as at its was at the end of 2002, the salary increases approved by the United Nations General Assembly, coupled with the cost-increasing effects of the depreciation of the United States dollar against some major currencies, has led to \$3.2 million (14 per cent) additional costs for the same level of staffing.

17. During 2002, a total of 89 staff (26 per cent of the total) left UNOPS. Thirty-nine staff left or were separated as a result of the 2002 budget reduction exercise while the remaining 50 left as a result of attrition. Table 3 reflects these staff reductions in addition to changes resulting from net abolishment of posts since the last staffing update was provided to the Executive Board at its annual session 2002 in the ad hoc submission of revised budget estimates for the year 2002 (DP/2002/CRP.10). As of 1 June 2003, UNOPS has a total of 311.5 approved posts, of which 281.5 are funded under the administrative budget, while 30 are project-specific and time-bound posts funded from project fees. Of the total number of posts, 286 are currently filled while the 25.5, shown as vacant, are a combination of frozen posts due to budgetary reasons and posts occupied by non-staff personnel (e.g. temporary assistants). As was further reported in document DP/2003/19, following the 2002 budget reduction exercise, UNOPS implemented the required staff reductions professionally and in full conformity with United Nations Staff Rules and Regulations. However, the relatively lengthy period needed to carry out the staff reduction decision – so as to ensure that complete due process was strictly followed – was a challenge for both staff and management. This resulted from the fact that UNOPS had to continue providing agreed services without interruption while at the same time carrying out the staff reduction exercise, thereby ensuring that the income base of the organization was not further eroded. While the human-resource-related lessons that UNOPS has drawn from the implementation of the 2002 budget reduction exercise have been reported in document DP/2003/19, it is important to re-emphasise the need for UNOPS to have flexible contracting instruments that readily respond to adjustments in staffing requirements.

Other expenditures

18. The 2002-2003 estimated expenditures on consultants amounts to \$3.3 million, down from the originally approved amount of \$5.4 million but slightly higher than the last estimated amount of \$3.0 million. The \$0.3 million modest increase is primarily a result of consultancy requirements for the new ERP system. While the budget reduction led to significant curtailing of training costs in 2002 to only \$0.13 million, it is projected to increase to \$0.24 million in 2003 to address critical training requirements related to the implementation of the ERP.

19. Staff travel costs, which are projected at \$2.5 million for the 2002-2003 biennium, are \$1.9 million or 43 per cent less than what was originally approved by the Executive Board in decision 2001/14 but slightly (1 per cent) higher than the estimates of \$2.1 million approved in decision 2002/21.

20. Total contract costs and system development contracts, estimated at \$1.2 million, are \$1.8 million or 59.3 per cent less than the approved 2001 level (decision 2001/14) and \$0.17 million or 12.0 per cent less than the estimates approved in decision 2002/21. These cost reductions are the result of the decision taken during the 2002 budget reduction exercise to limit, to the extent possible, objects of expenditure that do not directly support delivery.

21. Rental and maintenance of premises of \$9.4 million are comparable to estimates submitted to the Executive Board at both its second regular sessions 2001 and 2002. As a result of the staff reduction, UNOPS is sub-leasing part of its headquarters premises to a number of different United Nations organizations. Based on existing commitments, an estimated \$1.6 million in rental income will be generated during the 2002-2003 biennium.

22. Communication costs include both physical communications usage through couriers, mail, etc., and electronic communications, particularly video-conferencing and data transfer and their associated infrastructure. These costs, projected for the 2002-2003 biennium at \$2.10 million, are \$1.5 million or 41.8 per cent less than the amount approved in decision 2001/14 and \$0.05 million or 2 per cent more than the approved estimates decision 2002/21. As a result of the 2002 budget reduction, a concerted effort has been made to economize and limit the usage of communication facilities to activities most directly related to core delivery and delivery support.

23. Miscellaneous services are estimated at \$0.79 million compared to \$1.0 million and \$0.75 estimates approved in decisions 2001/14 and 2002/21, respectively.

24. The revised 2002-2003 biennium estimate for computer systems equipment of \$0.38 million is significantly below (77 per cent) the \$1.65 million estimate approved in decision 2001/14 and \$0.92 million approved in decision 2002/21.

Reimbursements to UNDP, United Nations Secretariat and other United Nations organizations

25. The revised 2002-2003 estimates for payments to UNDP country offices and other United Nations organizations that are providing services to UNOPS in support of its project portfolio implementation amount to \$4.05 million. This estimate is based on actual payments in 2002 of \$2.2 million and 2003 estimates of \$1.8 million. UNDP has proposed a new methodology for the reimbursement by UNOPS (and other United Nations organizations) of payments to UNDP country offices, which in principle UNOPS considers a major improvement over the previously utilized practice. This proposed new methodology is expected to be further modified in 2004 as a result of the changes in business processes resulting from the introduction of ERP.

26. The estimated 2002-2003 biennium payments to UNDP for central support services amounts to \$2.80 million while payments to the UNDP Office for Audit and Performance Review (OAPR) that has a dedicated unit providing UNOPS with internal audit services is projected at \$1.54 million. This compares with the estimated costs of \$3.4 million for UNDP central support services in document DP/2001/28 and \$2.0 million for UNDP/OAPR and the \$2.80 million and \$1.59 million estimated in document DP/2002/33, respectively. Since 2002, UNOPS

has taken over a number of services, particularly in the area of human resources, previously provided by UNDP, with a concomitant decrease in central service payments.

27. The revised estimate for payment to the United Nations Secretariat for services related to payroll, pension funds, security, etc., is \$2.2 million, which is above the level of \$2.0 million approved in decision 2001/14 and slightly lower than the estimated amount of \$2.4 million in decision 2002/21.

28. The revised 2002-2003 estimates include Executive Board authorized expenditures chargeable to the operational reserves of \$1.4 million in staff separation costs, a \$0.6 million provision for a doubtful receivable and one-time hardware acquisition costs related to the introduction of ERP. Only the separation costs, initially estimated at \$2.0 million, were foreseen and approved in the submission of the revised biennium budget estimates of September 2002 (DP/2002/33).

29. The 2003 administrative expenditures include unavoidable cost increases resulting from the General Assembly resolution 57/285 approving overall salary increases as well as the additional costs associated with the effects of the depreciation of the United States dollar and the costs of the ERP system. Since 2003 delivery and income were conservatively projected, it was a challenge to balance total income and expenditures. It was against this background that a decision was taken during the 2003 budget formulation process to withhold from approval, at this stage, 5 per cent from the temporary assistance budget and 10 per cent from the remaining non-mandatory, non-staff budget items. These 'withheld budgets' will be approved by UNOPS management if actual income exceeds the projected estimate and the 2003 drawdown of the operational reserve is replenished.

II. Projections of income and estimated expenditures for the biennium 2004-2005

30. Some of the objectives that would be pursued in the formulation of the biennium 2004-2005 budget estimates include: consolidation of the positive turnaround achieved in 2002, continued adherence to the UNOPS self-financing principle, and laying a sound foundation for a sustainable future UNOPS with gradual replenishment and build up of the operational reserve. However, it is also important to take account of the recent UNOPS business environment, which unlike its initial years has increasingly become volatile and less predictable, and the imminent appointment of the new Executive Director of UNOPS.

31. To sustain the previous year turn around resulting from the success of the end 2002 business performance, UNOPS needs to maintain a critical minimum level of annual project delivery of about \$500 million, which is comparable to what was achieved in 2002 and likely to be realized in 2003. However, a review of the UNOPS portfolio for 2004 and beyond reveals that it does not have the required budgets that would enable it to sustain the level of operation needed to generate income to cover its present level of administrative costs. While UNDP remains UNOPS' main client for the project portfolio, total UNDP portfolio consisting of core, non-core and management services agreements has been consistently

declining. As reported in document DP/2002/19, the UNOPS total portfolio derived from UNDP amounted to \$1.5 billion in 1997, which has consistently declined over the years ending in 2002 at \$0.9 billion – a decline of \$0.6 billion or almost 40 per cent over six years.

32. At the same time, UNOPS has made major efforts and succeeded in building up its project portfolio coming from other United Nations organizations. This portfolio increased from a low of \$35 million in 1997 to \$443.0 million in 2002. However, despite this notable increase, it is far from being able to compensate for the significant decline in the UNDP portfolio. This change – coupled with the increasingly shorter duration of its business acquisition and reductions in delivery budgets owing to political and economic upheavals experienced in many of the countries where UNOPS has major operations – has made forecasting beyond a one-year horizon extremely difficult. It was in recognition of this reality that UNOPS in 2002 changed its business planning and forecasting cycle from a two-year to a one-year cycle.

33. The 2004-2005 budget will also be influenced by the outcome of the ongoing Executive Board commissioned independent review of UNOPS, which is formulating a forward-looking strategy for its long-term growth and sustainability. The review, expected to be finalized by the end of July 2003, will examine, among others, the UNOPS business model and financial management, the present and potential markets for its services, and its business acquisition and market development. It plans to make action-oriented proposals that are likely to lead to changes in the organizational and financial structure of UNOPS.

34. At the same time, the newly appointed Executive Director of UNOPS is expected to articulate his vision for the future of UNOPS and develop a strategy to achieve it. As a result of all the above factors, it appears necessary to defer the detailed formulation of the biennium budget 2004-2005 to the new Executive Director. In the meantime, while committed to ensuring that its administrative costs will be fully covered by income received, the 2002-2003 budget estimates are maintained and carried forward as the estimates for the biennium 2004-2005 budget.

III. Review of the level of the operational reserve

35. The revised biennium 2002-2003 level of the UNOPS operational reserve, which had stood at only \$5.0 million at the end of the 2000-2001 biennium but was projected in September 2001 in decision 2001/14 to increase to \$15.1 million, was revised downwards to \$4.1 million in document DP/2002/33 submitted to the Executive Board at its second regular session 2002. The biennium estimate is now revised to \$3.2 million as result of the actual \$4.2 million operational reserve at the end of end 2002 carried forward and the estimated \$3.2 million reserve to be carried forward at the end of 2003. The three different expenditures that have been charged to the operational reserve in 2002 are explained in paragraph 21. Based on current projections, the end 2004-2005 operational reserve is estimated to be \$4.2 million, equivalent to the level at the end of 2002.

**Table 1. Projections of project expenditures and income for the biennium 2004-2005
with comparative figures for the biennium 2002-2003**
(in millions of United States dollars)

	Original projected 2002 - 2003	Revised projection 2002 - 2003	Actual 2002	Revised 2003 estimate	Revised 2002 - 2003	Projected 2004 - 2005
Delivery						
Total delivery	1 264.0	1 016.2	485.1	484.4	969.5	970.0
Income						
Income from implementation of project portfolio	97.3	71.8	35.4	35.3	70.7	70.0
Income from 'services only'	16.0	14.7	6.9	8.2	15.1	16.0
Other income	2.8	2.5	1.4	1.0	2.4	2.0
Total income	116.1	89.0	43.7	44.5	88.2	88.0
Expenditures						
Recurring administrative expenditures	113.0	87.9	43.5	44.5	88.0	87.0
Non-recurring administrative expenditures					0.0	
Separation			1.1	0.3	1.4	
Provision for doubtful account			0.6		0.6	
Partial ERP system investment cost				0.7	0.7	
Total expenditures	113.0	87.9	45.2	45.5	90.7	87.0
Movements on the operational reserve						
Operational reserve brought forward	12.0	5.0	5.0	4.2	5.0	3.2
Direct charge to operational reserve		(2.0)	(1.7)	(1.0)	(2.7)	
Transfer to operational reserve (savings from liquidation of prior year unliquidated obligations)			0.7		0.7	
Transfer from/ to operational reserve	3.1	1.1	0.2		0.2	1.0
Operational reserve carried forward	15.1	4.1	4.2	3.2	3.2	4.2

**Table 2. Revised budget estimates for the biennium 2002-2003
and budget estimates for 2004-2005**
(in thousands of United States dollars)

Object of expenditure		Original ¹ approved 2002-2003	Approved ¹ estimated expenditure 2002-2003	Total Actual expenditure 2002	Estimated ¹ expenditure 2003	Revised estimated expenditure 2002-2003	Estimated expenditure 2004-2005
A10/H10/H1 2	Salaries	36 842	30 931	15 646	16 580	32 226	33 300
A12/H14-61	Common staff costs	17 591	16 689	7 937	8 290	16 227	15 580
B10	Temporary assistance	4 015	2 153	1 543	1 230	2 773	2 700
B12	Activities of limited duration (ALD)	9 027	5 228	2 987	1 685	4 672	4 500
B10	Overtime	336	91	38	16	54	50
B12	Consultants	5 463	3 022	1 447	1 875	3 322	3 300
B14	Training	778	202	132	243	375	400
B18	Staff travel	4 333	2 097	1 163	1 290	2 453	2 500
B16	Contracts	2 174	1 418	548	489	1 037	1 000
B16	System development contracts	890		0	212	212	200
B20	Printing and publications	127	38	12	41	53	50
B22	Rental and maintenance-premises	9 270	9 246	4 616	4 742	9 358	9 925
B26	Rental and maintenance of equipment	786	358	128	122	250	250
B28	Communications - usage	3 617	2 058	807	830	1 637	1 700
B30	Mainframe hardware	170	1				
B32	Miscellaneous services	1001	748	328	458	786	780
B34	Maintenance of PC hardware	265	466	129	256	385	385
B36	Communication - infrastructure			163	304	467	480
B40	Office supplies	687	402	246	247	493	500
B42	Furniture and equipment	469	86	92	94	186	180
B44	Computer systems equipment	1645	916	163	212	375	200
C10	Hospitality	50	8	4	10	14	20
	Subtotal	99 536	76 158	38 129	39 226	77 355	78 000
B50	Services provided by UNDP country offices and other United Nations organizations	5 932	4 916	2 245	1 810	4 055	3 000
B50	Reimbursement to						
	- Services provided by UNDP/OAPR	2 000	1 586	695	840	1 535	1 800
	- UNDP central support services	3 448	2 796	1 398	1 400	2 798	2 700
	- United Nations central services	2 000	2 412	1 036	1 201	2 237	1 500
	Subtotal	13 380	11 710	5 374	5 251	10 625	9 000
	Total administrative expenditure	112 916	87 868	43 503	44 477	87 980	87 000
	Separation costs	-	-	1 116	300	1 416	-
	Provision for doubtful account	-	-	557		557	-
	Partial ERP system investment cost	-	-		700	700	-
	Subtotal	0	0	1 673	1 000	2 673	0
	Grand total	112 916	87 868	45 176	45 477	90 653	87 000

¹ DP/2001/28;² DP/2002/33;³ DP/2003/18;

Table 3. UNOPS current staffing table

Category/Post level	Established posts ^a (core + project) as of June 2002			Posts abolished ^c		Additional posts ^b (from 1 June 2002 until 31 May 2003)		Posts reclassified ^b (from 1 June 2002 until 31 May 2003)		Grand total (as of 1 June 2003) ^e		Posts filled by 100/200/300 series staff ^f (as of 1 June 2003)	Vacant posts ^g
	Admin	Project	Total	Admin	Project	Admin	Project	Admin	Project	Admin	Project	TOTAL	
ASG	1		1							1		1	1
D-2	1		1							1		1	1
D-1/L-6	16	2	18	(3)	(1)			(1) ^f		13	0	13	8
P-5/L-5	47	4	51	(8)	(2)			1 ^f		39	3	42	38
P-4/L-4	43	1	44	(7)	(1)					36	0	36	35
P-3/L-3	25	0	25	(1)						24	0	24	22
P-2/L-2	6	3	9	(3)		2				5	3	8	8
Subtotal	139	10	149	(22)	(4)	2		0		119	6	125	113
Locally recruited Principal level (G7/G6)	70.5	6	76.5	(9)		1				61.5	7	68.5	65
Other Level	124	15	139	(23)		2				101	17	118	108
Subtotal	194.5	21	215.5	(32)		3				162.5	24	186.5	173
Total	333.5	31	364.5	(54)	(4)	2	3	0		281.5	30	311.5	286
													25.5

^a Executive Board decision 2002/21 of 27 September 2002.

^b Since Executive Board decision 2002/21.

^c Posts strictly relating to specific projects.

^d Posts that are indicated as vacant include frozen posts due to budgetary reasons and functions covered by non-staff employment (e.g., temporary assistance) as well as posts under recruitment.

^e This figure also includes posts abolished resulting from the UNOPS budgetary reduction exercise effective 1 July 2002.

^f One L6 post was reclassified to L5 level, and this explains the addition of one in the P5/L5 column and the reduction of one in the D1/L6 column.

^g 2.2 account includes two P5s, one P4, one P3/G7, two G6s and three G5s which have no financial implication on the UNOPS admin budget.

Table 4. Project delivery by source of funds, 2001-2002
(in millions of United States dollars)

Source of funds	2001	2002
UNDP general resources	161.2	127.7
Percentage of total	31.9	26.3
UNDP trust funds	108.5	98.4
Percentage of total	21.5	20.3
Funds through UNDP (MSAs)		
Development banks	9.8	17.4
Percentage of total	1.9	3.6
Unilateral and bilateral grants		
Government	4.8	
Japan	80.9	84.3
Others	30.5	33.4
Subtotal	116.2	121.1
Percentage of total	23.0	25.0
Total through UNDP	395.7	364.6
Percentage of total	78.4	75.2
United Nations organizations		
UNODCCP	9.3	6.5
DPKO	7.9	10.4
UNOHCHR	14.9	16.1
OIP	34.0	50.8
Other United Nations organizations ^a	42.9	36.7
Subtotal	109.0	120.5
Percentage of total	21.6	24.8
Total	504.7	485.1
Percentage of total	100.0	100.0

^a Includes DPA, IDNDR, ILO, OCHA, UNHCR, UNRISD, WFP, IFAD.

Table 5. Project delivery by component, 2001-2002
(thousands of United States dollars)

Source of funds	Personnel		Subcontracts		Training		Equipment		Miscellaneous		Grand total	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
UNDP funded projects	60 103	46 500	55 658	38 619	9 359	9 003	9 375	8 678	4 605	3 610	139 100	106 410
UNOPS as cooperating/Associated agency												
UNOPS as cooperating agency - UNDP fund	9 697	8 258	9 087	9 243	1 195	721	2 025	2 943	130	125	22 134	21 290
UNOPS as cooperating agency - Trust fund	2 751	1 629	2 910	5 211	257	161	1 028	227	8	1	6 954	7 229
Total UNOPS as cooperating agency	12 448	9 887	11 997	14 454	1 452	882	3 053	3 170	138	126	29 088	28 519
Projects for other United Nations organizations												
DPKO	3 477	5 694	4 966	6 573	9	(5)	7 545	3 269	189	242	16 186	15 773
UNHCHR	11 899	13 147	955	1 121	432	802	1 259	485	372	544	14 917	16 099
OIP	5 630	8 329	21 943	32 909	-	24	6 238	9 064	223	467	34 034	50 793
Other United Nations organizations	7 927	13 300	5 517	9 359	1 123	1 234	18 534	5 558	402	801	33 503	30 252
Total projects for other United Nations organizations	28 933	40 478	33 381	49 962	1 564	2 055	33 576	18 376	1 106	2 054	98 640	112 917
UNODCCP	4 262	3 252	817	675	274	394	2 533	1 845	634	328	8 520	6 494
Trust fund projects												
Montreal Protocol	2 284	2 086	2 398	2 601	237	105	20 915	11 780	649	171	26 483	16 743
Global Environment Facility	7 973	9 595	21 136	18 767	1 839	2 461	4 955	2 657	973	802	36 876	34 282
UNCDF	1 284	649	4 819	3 589	47	1	320	52	252	(27)	6 722	4 264
Other trust funds	13 778	13 939	11 273	15 134	4 179	3 994	1 675	2 572	974	966	31 879	36 605
Total trust fund projects	25 319	26 269	39 626	40 091	6 302	6 561	27 065	17 061	2 848	1 912	101 940	91 894
Management service agreements												
Japan	181	489	15 487	11 975	120	116	65 114	71 742	14	0	80 916	84 322
World Bank agreements	3 084	1 364	869	2 825	994	1 089	315	1 857	119	104	6 181	7 239
Inter-American Development Bank	688	79	(79)	(67)	69	-	92	1 298	46	4	816	1 314
Other MSAs	7 505	10 671	14 621	25 599	931	1 315	15 270	7 573	1 212	902	39 539	46 060
Total MSAs	12 258	12 603	30 898	40 332	2 114	2 520	80 791	82 470	1 391	1 010	127 452	138 935
Grand total	143 323	130 981	172 377	184 133	21 065	21 415	157 193	131 600	10 802	9 040	504 760	485 169

Table 6. Project delivery by region, 2001-2002*(in millions of United States dollars)*

Region	2001	Delivery	2002	Delivery
	Number of projects		Number of projects	
Interregional and global	299	54.6	244	62.4
Africa	645	114.8	604	123.1
Arab States	217	61.2	202	74.3
Asia and the Pacific	539	107.9	549	91.9
Europe and the Commonwealth of Independent States	210	68.6	190	67.7
Latin America and the Caribbean	477	97.6	460	65.7
Total	2 387	504.7	2 249	485.1

Table 7. Project personnel employed, 2001-2002

Type of contract	2001	2002
International consultants	1 733	1 556
Percentage from developing countries	47	48.1
International consultants	722	567
Percentage from developing countries	44	39.1
National professionals	3 693	4 695
Percentage from developing countries	100	100
Total	6 148	6 818
Percentage from developing countries	79	78

Table 8. Trainees and fellows by nationality, 2001-2002

Country of nationality	2001		2002		Total	Male		Female	Total	Male		Female
	Total	Male	Female	Male		Female	Male	Female		Female	Male	Female
Albania	2	2	0	0	2	0	0	0	2	0	0	2
Algeria	8	5	3	3	8	3	5	3	8	5	3	8
Angola	1	0	1	1	1	1	0	1	1	0	1	1
Argentina	2	2	0	0	2	0	2	0	2	0	2	0
Armenia	2	2	0	0	2	0	2	0	2	0	2	0
Australia	8	8	0	0	8	0	8	0	8	0	8	0
Austria	8	8	0	0	8	0	8	0	8	0	8	0
Azerbaijan	2	2	0	0	2	0	2	0	2	0	2	0
Bahrain	1	1	0	0	1	0	1	0	1	0	1	0
Bangladesh	10	5	5	5	10	5	5	5	10	5	5	5
Belgium	1	0	1	1	1	1	0	1	1	0	1	0
Belize	6	4	2	2	6	2	4	2	6	2	4	2
Benin	7	7	0	0	7	0	7	0	7	0	7	0
Botswana	5	1	4	4	5	4	1	4	5	1	4	1
Burkina Faso	31	23	8	8	31	8	23	8	31	8	23	8
Burundi	19	15	4	4	19	4	15	4	19	4	15	4
Cameroon	10	8	2	2	10	2	8	2	10	2	8	2
Canada	4	4	0	0	4	0	4	0	4	0	4	0
Central African Republic	8	7	1	1	8	1	7	1	8	1	7	1
Cape Verde	8	6	2	2	8	2	6	2	8	2	6	2
Chad	14	10	4	4	14	4	10	4	14	4	10	4
Congo	3	1	2	2	3	2	1	2	3	2	1	2
Congo, Democratic Republic of	55	36	19	19	55	19	36	19	55	19	36	19
Denmark	1	0	1	1	1	1	0	1	1	0	1	0
Djibouti	5	5	0	0	5	0	5	0	5	0	5	0
Egypt	12	12	0	0	12	0	12	0	12	0	12	0
Eritrea	22	17	5	5	22	5	17	5	22	5	17	5
Ethiopia	9	5	4	4	9	4	5	4	9	4	5	4
Fiji	1	0	1	1	1	1	0	1	1	0	1	0
Finland	0	0	0	0	0	0	0	0	0	0	0	0
France	1	0	1	1	1	1	0	1	1	0	1	0

Country of nationality	2001		2002		Total	2003		Total
	Total	Male	Female	Male		Total	Male	
Gabon	4	3	1	7	8	1	7	1
Gambia	14	10	4	1	5	4	1	4
Georgia	2	1	1	4	4	0	4	0
Germany	3	3	0	0	0	0	0	0
Ghana	26	18	8	8	9	1	8	1
Guinea-Bissau	6	5	1	8	9	1	8	1
Hong Kong	1	1	0	0	0	0	0	0
India	1	1	0	9	9	0	9	0
Indonesia	1	1	0	13	14	0	13	1
Iran (Islamic Republic of)	0	0	0	3	3	0	3	0
Iraq	0	0	0	3	3	0	3	0
Italy	0	0	0	3	3	0	3	0
Jamaica	0	0	0	3	3	0	3	0
Japan	0	0	0	2	2	0	2	0
Jordan	0	0	0	9	9	0	9	0
Kazakhstan	0	0	0	9	9	0	9	0
Kenya	0	0	0	4	4	0	4	0
Kiribati	3	3	0	2	2	3	2	1
Korea, Republic of	12	11	1	20	20	0	20	0
Kuwait	0	0	0	1	1	0	1	0
Kyrgyzstan	0	0	0	5	5	0	5	0
Lebanon	10	10	0	2	2	0	2	0
Lesotho	4	1	3	9	9	3	7	2
Libyan Arab Jamahiriya	9	8	1	7	7	1	7	1
Liberia	10	6	4	1	2	4	1	1
Lithuania	0	0	0	0	0	0	0	0
Madagascar	821	556	265	12	19	0	12	7
Malaysia	9	9	0	2	2	0	2	0
Malawi	11	8	3	16	21	3	16	5
Mali	20	17	3	6	7	0	6	1
Malta	0	0	0	2	2	0	2	0
Mauritania	11	11	0	10	11	0	10	1
Mauritius	5	5	0	4	4	0	4	0
Marshall Islands	0	0	0	4	4	0	4	0
Mexico	1	1	0	5	5	0	5	0

Country of nationality	2001		2002		Total	Male	Female	Male	Female
	Total		Male	Female					
Mongolia	56		44	12	40	27	13		
Morocco	12		11	1	15	12	3		
Mozambique	4		3	1	35	19	16		
Namibia	52		30	22	29	19	10		
Nepal	1		1	0	5	5	0		
Netherlands	1		0	1	1	0	1		
New Zealand	1		1	0	0	0	0		
Nicaragua	0		0	0	3	2	1		
Niger	16		11	5	10	8	2		
Nigeria	135		79	56	11	9	2		
Norway	2		2	0	0	0	0		
Pakistan	6		6	0	1	1	0		
Palau, Republic of	7		6	1	0	0	0		
Papua New Guinea	0		0	0	5	5	0		
Peru	1		0	1	0	0	0		
Philippines	3		0	3	12	8	4		
Poland	1		1	0	0	0	0		
Romania	0		0	0	1	1	0		
Russian Federation	10		4	6	118	73	45		
Rwanda	4		2	2	6	4	2		
Saudi Arabia	1		1	0	3	3	0		
Senegal	108		68	40	22	19	3		
Sierra Leone	5		2	3	1	1	0		
Sao Tome	1		1	0	2	2	0		
Slovenia	2		2	0	0	0	0		
Slovakia	0		0	0	3	1	2		
South Africa	1 855		1 139	716	240	142	98		
Sri Lanka	8		5	3	9	7	2		
Sudan	9		6	3	3	2	1		
Suriname	0		0	0	2	1	1		
Swaziland	0		0	0	12	11	0		
Sweden	0		0	0	3	2	1		
Switzerland	0		0	0	2	2	0		
Syrian Republic	0		0	0	6	5	1		
Tajikistan	0		0	0	8	5	3		
Tanzania, United Republic of	25		17	8	0	0	0		

Country of nationality	2001		2002		Total	Male	Female
	Total	Male	Total	Female			
Thailand	0	0	3	0	3	2	1
Timor-Leste	0	0	2	0	2	2	0
Togo	0	0	4	0	4	4	0
Trinidad and Tobago	0	0	4	0	4	3	1
Tunisia	0	0	7	0	7	5	2
Turkey	0	0	3	0	3	2	1
Turkmenistan	0	0	2	0	2	2	0
Tuvalu	0	0	5	0	5	5	0
Uganda	9	5	6	4	6	5	1
United Kingdom	0	0	9	0	9	6	3
United States of America	12	9	32	3	32	24	8
Uruguay	1	1	1	0	1	1	0
Uzbekistan	2	0	6	2	6	5	1
Viet Nam	81	62	19	19	19	14	5
Yemen	6	6	7	0	7	6	1
Zambia	6	3	15	3	15	12	3
Zimbabwe	8	6	19	2	19	9	10
Other	198	140	157	58	157	90	67
Total	3 746	2 439	2 440	1 307	2 440	1 746	694

**Table 9. Value of major contracts for goods, services and works signed by country of contractor
2000-2001**
(thousands of United States dollars)

Country	2001		2002	
	Value	Percentage of international procurement	Value	Percentage of international procurement
Developed countries:				
Australia	1 281	0.9	2 326	1.6
Austria	1 755	1.2	2 349	1.6
Belgium	3 062	2.1	5 495	3.7
Canada	5 996	4.1	1 137	0.8
Finland	322	0.2	306	0.2
France	3 393	2.3	9 741	6.6
Germany	5 423	3.7	4 181	2.8
Ireland	416	0.3	3	0.0
Italy	7 880	5.4	10 427	7.0
Japan	13 809	9.4	9 859	6.6
New Zealand	84	0.1	0	0.0
Spain	433	0.3	412	0.3
Switzerland	3 242	2.2	6 532	4.4
United Kingdom	17 233	11.70	11 009	7.4
United States	35 399	24.10	29 351	19.8
Other	1 024	0.7	6 105	4.1
Subtotal	100 752	68.7	99 240	66.8
Underutilized major donor countries:				
Denmark	6 292	4.3	5 207	3.5
Netherlands	7 299	5	2 579	1.7
Norway	656	0.4	1 750	1.2
Sweden	345	0.2	2 310	1.6
Subtotal	14 592	9.9	11 847	8.0
Total developed countries	115 344	78.6	111 087	74.8
Developing countries:				
Argentina	2 045	1.4	822	0.6
Cambodia	-	0	720	0.5
Cote d'Ivoire	279	0.2	91	0.1
Ethiopia	46	0	1 000	0.7
Peru	2 099	1.4	613	0.4
South Africa	4 421	3	3 031	2.0
Turkey	-	0	1 563	1.1
Other	22 485	15.3	29 613	19.9
Total developing countries	31 375	21.4	37 456	25.2
TOTAL	146 719	100	148 544	100.0

Notes: Does not include procurement undertaken locally pertaining to decentralized operations. The procurement of services, goods and work from developing countries is therefore significantly understated in the above table.

Abbreviations

DPA	Department of Political Affairs of the United Nations Secretariat
DPKO	Department for Peace-keeping Operations of the United Nations Secretariat
IDNDR	International Decade for Natural Disasters Reduction
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
MSA	Management services agreement
OCHA	Office for the Coordination of Humanitarian Affairs of the United Nations Secretariat
OIP	Office of the Iraq Programme of the United Nations Secretariat
UNCCS	United Nations Common Coding System
UNODC	United Nations Office on Drugs and Crime
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNHCHR	Office of the United Nations High Commissioner for Human Rights
UNFPA	United Nations Population Fund
UNMIK	United Nations Mission in Kosovo
UNOPS	United Nations Office for Project Services
UNRISD	United Nations Research Institute for Social Development
WFP	World Food Programme



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UNOPS: Financial, budgetary and administrative matters

**Revised budget estimates for the biennium 2002-2003,
budget estimates for the biennium 2004-2005 and
report on the level of the operational reserve**

**Report of the Advisory Committee on Administrative and Budgetary
Questions**

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Office for Project Services on the revised budget estimates for the biennium 2002-2003, budget estimates for the biennium 2004-2005 and on the level of the operational reserve (DP/2003/38). The Committee also had before it, as background documentation, the report of the UNDP Office of Audit and Performance and Project Service Audit Section to the Executive Director of UNOPS on internal audit services in 2002 (DP/2003/22) and the annual report of the Executive Director on the activities of UNOPS in 2002 (DP/2003/19). During its consideration of these matters, the Committee met with the Deputy Executive Director of UNOPS and his colleagues, who provided additional information.

2. The Advisory Committee notes that the exceptional financial situation confronting UNOPS in the last few years and the instability in its business environment has required frequent adjustments to its budget projections. The Committee has in the past commented on the serious situation facing the management and operations of UNOPS (see DP/2002/34, paragraphs 2 to 6). The Committee was informed that in response to the income shortfalls and operational deficits faced by UNOPS during the biennium 2000-2001, in 2002 UNOPS implemented a major organizational re-dimensioning exercise that led to drastic cost-savings measures and significant revisions of its projected delivery and income. Some of the consequences of this downsizing, resulting in the separation of 89 staff (or 26 per cent of the total), have yet to be fully absorbed institutionally.



Revised estimates for 2002-2003

3. Revised delivery estimates for 2002-2003 amount to \$969.5 million, based on actual delivery of \$485.1 million in 2002 and revised delivery projections of \$484.4 million for 2003 (see DP/2003/38, paragraph 8 and table 1). The Committee was informed that the estimates are based on a rigorous and prudent delivery projection exercise and on a new income forecasting methodology, which was first introduced last year and refined further this year.

4. Revised total income estimates amount to \$88.2 million for 2002-2003, based on recorded income of \$43.7 million in 2002 and revised projections of \$44.5 million for 2003 (see DP/2003/38, paragraph 9 and table 1). The Committee was informed that with a total recurring administrative expenditure of \$43.5 million in 2002, UNOPS was able to adhere to its self-financing principle and even make a small but symbolic contribution of \$200 000 to the operational reserve. At the end of 2002 the operational reserve stood at \$4.2 million.

5. For 2003, the recurring administrative expenditure is estimated to amount to \$44.5 million. In addition, planned expenditure for 2003 includes \$300 000 for already approved remaining staff separations costs as well as \$700 000 for part of one-time investments in the Enterprise Resource Planning (ERP) system. Both these charges are submitted as direct charges to the operational reserve (see DP/2003/38, paragraph 15 and table 1). The Committee notes that UNOPS joined UNDP and UNFPA in February 2003 in the implementation of the ERP system. UNOPS expects to re-engineer its business processes and take advantage of the functionality of the ERP system, for effective project management, improved information and data sharing, enhanced financial reporting, and its accessibility from anywhere in the world through Internet connection (DP/2003/38, paragraph 7).

6. The Advisory Committee was informed that, as at 30 June 2003, UNOPS has recorded project delivery and income higher than projected in the revised estimates for 2003, while maintaining the level of administrative expenditure in line with the estimated budget. Recorded total project delivery amounts to \$316 million (65 per cent of the annual target), with total income and administrative expenditure amounting to \$25.0 million (56 per cent of the target) and \$21.0 million (46 per cent of the target), respectively.

Projections for 2004-2005

7. Projections of income and estimated expenditures for the biennium 2004-2005 are discussed in paragraphs 30 to 34 of document DP/2003/38. The Advisory Committee was informed that a review of the existing UNOPS portfolio for 2004 and beyond reveals that, at this stage, it does not yet have the required budgets that would support an annual delivery of about \$500 million, which would be comparable to what was achieved in 2002 and likely to be realized in 2003. While UNDP remains the main client of UNOPS, the UNDP portfolio has continued to decline, from \$1.5 billion in 1997 to \$0.9 billion in 2002 (or about 40 per cent over six years). Furthermore, increases in project portfolio from other organizations have not been able to compensate for the significant decline in the UNDP portfolio. The Committee was also informed that other factors significantly affecting the UNOPS

operations emanate from the increasingly shorter duration of the new contracts with clients and from the political and economic problems occurring in some of the countries where UNOPS has major operations, for example, in Iraq. Because of the difficulty of making projections beyond a one-year horizon, in 2002 UNOPS changed its planning and forecasting cycle from a two-year to a one-year cycle.

8. The Advisory Committee further notes that the UNOPS budget for 2004-2005 is also expected to be influenced by the outcome of the ongoing independent review of UNOPS that was commissioned by the Executive Board, with a view to formulating a forward-looking strategy for the organization. The review is expected to be finalized by the end of July 2003 (see DP/2003/38, paragraphs 8 and 33). The Committee was informed that a new Executive Director of UNOPS has been appointed and will assume his duties on 1 August 2003. The Executive Director would be articulating his vision for the future of UNOPS and would take account of any relevant recommendations from the independent review.

9. The Advisory Committee notes that, in the light of the above-mentioned factors, UNOPS has deferred the detailed formulation of the estimates for the biennium 2004-2005 and instead proposes to use, at this time, the same level of project delivery, income and expenditure as that estimated for the current biennium, while committed to ensuring that its administrative costs would be fully covered by income received.

10. The Advisory Committee recommends that the Executive Board approve the revised budget estimates for the biennium 2002-2003, the staffing level as proposed for the biennium 2002-2003 and, taking into account the circumstances mentioned in paragraph 8 above, the projections for 2004-2005.
